

TOWNSHIP OF ECKFORD
Calhoun County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended June 30, 2006

AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Eckford	County Calhoun
Audit Date June 30, 2006	Opinion Date September 7, 2006	Date Accountant Report Submitted to State: December 18, 2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686	City Bay City	State MI	Zip 48707
Accountant Signature Campbell, Kusterer & Co., P.C.			

TOWNSHIP OF ECKFORD
Calhoun County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

September 7, 2006

To the Township Board
Township of Eckford
Calhoun County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Eckford, Calhoun County, Michigan as of and for the year ended June 30, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Eckford's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Eckford, Calhoun County, Michigan as of June 30, 2006, and the respective changes in financial position thereof, for the year ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF ECKFORD
Calhoun County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended June 30, 2006

The Management's Discussion and Analysis report of the Township of Eckford covers the Township's financial performance during the year ended June 30, 2006.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at June 30, 2006, totaled \$253,555.26. This includes cash on hand, buildings, land, equipment, and investments.

Overall revenues were \$169,681.64. Overall expenses were \$173,152.33.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present government activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

All of the activities of the Township are reported as governmental activities. These include the General Fund and the Cemetery Fund.

TOWNSHIP OF ECKFORD
Calhoun County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended June 30, 2006

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental Funds: All of the Township's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental funds include the General Fund and the Cemetery Fund.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

For the fiscal year ended June 30, 2006, net assets of the Township decreased by \$4,368.69 to \$253,555.26.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

For the fiscal year ended June 30, 2006, the fund balance of the General Fund decreased by \$4,596.14 to \$227,531.79.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

Eckford Township has no long-term debt activity at this time. The Township invested \$3,000.00 in capital assets during the fiscal year ended June 30, 2006.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The Township's plans for the future include the ability to meet expenses for the repair and upkeep of the Township's road improvements. Also, the possibility of a sewer line being implemented around one of the Township's lakes to serve the residents that are living near that lake.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, investors and customers with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report, please contact Teresa Baylis, Township Treasurer or Bruce Rapp, Township Supervisor at 269-781-9222, 269-781-7445, or 269-781-7416.

TOWNSHIP OF ECKFORD
Calhoun County, Michigan

GOVERNMENT WIDE STATEMENT OF NET ASSETS
June 30, 2006

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	8 741 40
Investments	<u>232 769 86</u>
Total Current Assets	<u>232 511 26</u>
NONCURRENT ASSETS:	
Capital Assets	60 444 00
Less: Accumulated Depreciation	<u>(39 400 00)</u>
Total Noncurrent Assets	<u>21 044 00</u>
TOTAL ASSETS	<u>253 555 26</u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES	<u>-</u>
Total Current Liabilities	<u>-</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	21 044 00
Reserved	4 979 47
Unrestricted	<u>227 531 79</u>
Total Net Assets	<u>253 555 26</u>
TOTAL LIABILITIES AND NET ASSETS	<u>253 555 26</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF ECKFORD
Calhoun County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended June 30, 2006

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities</u>
		<u>Charges for Services</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
FUNCTIONS/PROGRAMS			
Governmental Activities:			
Legislative	4 540 00	-	(4 540 00)
General government	80 778 46	18 737 16	(62 041 30)
Public safety	57 281 75	11 205 15	(46 076 60)
Public works	18 376 41	1 100 78	(17 275 63)
Other	13 073 71	-	(13 073 71)
Total Governmental Activities	<u>174 050 33</u>	<u>31 043 09</u>	<u>(143 007 24)</u>
General Revenues:			
Property taxes			39 058 87
State revenue sharing			94 749 72
Interest			2 318 48
Miscellaneous			<u>2 511 48</u>
Total General Revenues			<u>138 638 55</u>
Change in net assets			(4 368 69)
Net assets, beginning of year			<u>257 923 95</u>
Net Assets, End of Year			<u><u>253 555 26</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF ECKFORD
Calhoun County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2006

	<u>General</u>	<u>Cemetery</u>	<u>Total</u>
<u>Assets</u>			
Cash in bank	3 747 04	4 979 47	8 726 51
Investments	223 769 86	-	223 769 86
Due from other funds	14 89	-	14 89
Total Assets	<u>227 531 79</u>	<u>4 979 47</u>	<u>232 511 26</u>
<u>Liabilities and Fund Equity</u>			
Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund equity:			
Fund balances:			
Reserved	-	4 979 47	4 979 47
Unreserved:			
Undesignated	227 531 79	-	227 531 79
Total fund equity	<u>227 531 79</u>	<u>4 979 47</u>	<u>232 511 26</u>
Total Liabilities and Fund Equity	<u>227 531 79</u>	<u>4 979 47</u>	<u>232 511 26</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF ECKFORD
Calhoun County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2006

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	232 511 26
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	60 444 00
Accumulated depreciation	<u>(39 400 00)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u>253 555 26</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF ECKFORD
Calhoun County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year ended June 30, 2006

	<u>General</u>	<u>Cemetery</u>	<u>Total</u>
Revenues:			
Property taxes	39 058 87	-	39 058 87
Licenses and permits	11 205 15	-	11 205 15
State revenue sharing	94 749 72	-	94 749 72
Charges for services	17 687 16	1 050 00	18 737 16
Interest	2 243 03	75 45	2 318 48
Special assessments	1 100 78	-	1 100 00
Miscellaneous	2 511 48	-	2 511 48
Total revenues	<u>168 556 19</u>	<u>1 125 45</u>	<u>169 681 64</u>
Expenditures:			
Legislative:			
Township Board	4 540 00	-	4 540 00
General government:			
Supervisor	10 080 00	-	10 080 00
Elections	1 313 28	-	1 313 28
Assessor	10 704 18	-	10 704 18
Clerk	10 215 00	-	10 215 00
Board of Review	825 00	-	825 00
Treasurer	11 880 00	-	11 880 00
Building and grounds	5 159 60	-	5 159 60
Cemetery	8 669 94	-	8 669 94
Unallocated	18 033 46	-	18 033 46
Public safety:			
Fire protection	42 987 90	-	42 987 90
Protective inspection	14 293 85	-	14 293 85
Public works:			
Highway and streets	15 732 50	-	15 732 50
Drains at large	785 00	-	785 00
Street lighting	1 858 91	-	1 858 91
Other:			
Social security	4 558 91	-	4 558 91
Insurance	8 514 80	-	8 514 80
Capital outlay	3 000 00	-	3 000 00
Total expenditures	<u>173 152 33</u>	<u>-</u>	<u>173 152 33</u>
Excess of revenues over expenditures	(4 596 14)	1 125 45	(3 470 69)
Fund balances, July 1	<u>232 127 93</u>	<u>3 854 02</u>	<u>235 981 95</u>
Fund Balances, June 30	<u><u>227 531 79</u></u>	<u><u>4 979 47</u></u>	<u><u>232 511 26</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF ECKFORD
Calhoun County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year ended June 30, 2006

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS (3 470 69)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(3 898 00)
Capital Outlay	<u>3 000 00</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES (4 368 69)

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF ECKFORD
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Eckford, Calhoun County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds and account groups that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Eckford. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF ECKFORD
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Permanent Fund

The Cemetery Perpetual Care Fund is used to account for assets that are legally restricted.

Fiduciary Funds

The Current Tax Collection and Agency Funds are used to account for assets held as an agent for others. The Cemetery Perpetual Care Fund is used to account for amounts received for maintenance of the cemetery.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The Township 2005 tax roll millage rate was .9006 mills, and the taxable value was \$42,764,100.00.

TOWNSHIP OF ECKFORD
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$500.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	10-30 years
Furniture and equipment	3-20 years

Compensated Absences (Vacation and Sick Leave)

Township employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.

TOWNSHIP OF ECKFORD
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Note 2 – Budgets and Budgetary Accounting (continued)

6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated three banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>8 741 40</u>
Amounts in the bank balances are without considering deposits in transit or uncleared checks.	
	<u>Bank Balances</u>
Insured (FDIC)	9 013 84
Uninsured and Uncollateralized	-
Total Deposits	<u>9 013 84</u>

TOWNSHIP OF ECKFORD
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Note 3 – Deposits and Investments (continued)

The Township's investments are categorized below to give an indication of the level of risk assumed by the Township. Risk category 1 includes those investments that meet any one of the following criteria: insured, registered, or held by the Township or its agent. Risk categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterparty's trust department (or agent) in the Township's name. Category 3 includes investments held by the counterparty or the counterparty's trust department (or agent) but not in the Township's name.

The GASB Statement No. 3 risk disclosures for the Township's investments are categorized as follows:

<u>Investment Type</u>	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>Carrying Amount</u>
Risk-Categorized:				
Operating Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Risk-Categorized Investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Nonrisk-Categorized:				
Financial Institution Pooled Funds				<u>223 769 86</u>
Total Investments				<u>223 769 86</u>

The financial institution pooled funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes that the investments in the funds comply with the investment authority noted above.

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	<u>Balance 7/1/05</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/06</u>
Land	3 506 00	2 000 00	-	5 506 00
Buildings	26 002 00	-	-	26 002 00
Equipment	<u>27 936 00</u>	<u>1 000 00</u>	<u>-</u>	<u>28 936 00</u>
Total	57 444 00	3 000 00	-	60 444 00
Accumulated Depreciation	<u>(35 502 00)</u>	<u>(3 898 00)</u>	<u>-</u>	<u>(39 400 00)</u>
Net Capital Assets	<u>21 942 00</u>	<u>(898 00)</u>	<u>-</u>	<u>21 044 00</u>

TOWNSHIP OF ECKFORD
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Note 5 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 6 – Pension Plan

The Township does not have a pension plan.

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 – Building Permits

As of June 30, 2006, the Township had building permit revenues of \$9,527.00 and building permit expenses of \$8,586.35.

Note 9 – Budget Variances

For the fiscal year ended June 30, 2006, Township expenditures exceeded the budgeted amounts in the following activities:

	<u>Total Budget</u>	<u>Total Expenditures</u>	<u>Excess Expenditures</u>
General Fund Activity:			
Township Board	4 340 00	4 540 00	200 00
Unallocated	13 600 00	18 033 46	4 433 46

TOWNSHIP OF ECKFORD
Calhoun County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	38 000 00	38 000 00	39 058 87	1 058 87
Licenses and permits	12 000 00	12 000 00	11 205 15	(794 85)
State revenue sharing	88 658 00	88 658 00	94 749 72	6 091 72
Charges for services	16 600 00	16 600 00	17 687 16	1 087 16
Interest	4 850 00	4 850 00	2 243 03	(2 606 97)
Special assessments	950 00	950 00	1 100 78	150 78
Miscellaneous	5 500 00	5 500 00	2 511 48	(2 988 52)
Total revenues	<u>166 558 00</u>	<u>166 558 00</u>	<u>168 556 19</u>	<u>1 998 19</u>
Expenditures:				
Legislative				
Township Board	3 840 00	4 340 00	4 540 00	200 00
General government:				
Supervisor	10 080 00	10 080 00	10 080 00	-
Elections	5 000 00	5 000 00	1 313 28	(3 686 72)
Assessor	9 500 00	10 900 00	10 704 18	(195 82)
Clerk	11 080 00	11 080 00	10 215 00	(865 00)
Board of Review	1 100 00	1 100 00	825 00	(275 00)
Treasurer	12 780 00	12 780 00	11 880 00	(900 00)
Building and grounds	5 600 00	6 100 00	5 159 60	(940 40)
Cemetery	9 280 00	9 280 00	8 669 94	(610 06)
Unallocated	14 650 00	3 600 00	18 033 46	4 433 46
Public safety:				
Fire protection	49 500 00	49 500 00	42 987 90	(6 512 10)
Protective inspection	23 000 00	28 850 00	14 293 85	(14 556 15)
Public works:				
Highways and streets	14 000 00	15 732 50	15 732 50	-
Drains at large	2 500 00	2 500 00	785 00	(1 715 00)
Street lighting	1 900 00	1 900 00	1 858 91	(41 09)
Other:				
Social security	4 500 00	4 700 00	4 558 91	(141 09)
Insurance	9 000 00	9 000 00	8 514 80	(485 20)
Capital outlay	<u>21 000 00</u>	<u>11 867 50</u>	<u>3 000 00</u>	<u>(8 867 50)</u>
Total expenditures	<u>208 310 00</u>	<u>208 310 00</u>	<u>173 152 33</u>	<u>(35 157 67)</u>
Excess (deficiency) of revenues over expenditures	(41 752 00)	(41 752 00)	(4 596 14)	37 155 86
Fund balance, July 1	<u>241 000 00</u>	<u>174 948 42</u>	<u>232 127 93</u>	<u>57 179 51</u>
Fund Balance, June 30	<u>199 248 00</u>	<u>133 196 42</u>	<u>227 531 79</u>	<u>94 335 37</u>

TOWNSHIP OF ECKFORD
Calhoun County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended June 30, 2006

Township Board:		
Salaries and wages		4 540 00
Supervisor:		
Salary		10 080 00
Elections		1 313 28
Assessor:		
Contracted services		9 150 00
Miscellaneous		1 554 18
		10 704 18
Clerk:		
Salary		10 080 00
Deputy		135 00
		10 215 00
Board of Review:		
Wages		825 00
Treasurer:		
Salary		11 880 00
Building and grounds:		
Utilities		4 040 42
Miscellaneous		1 119 18
		5 159 60
Cemetery:		
Sexton		8 280 00
Miscellaneous		389 94
		8 669 94
Unallocated:		
Attorney		3 570 09
Contracted services		5 701 41
Advertising		767 50
Education		449 51
Dues		953 54
Office supplies		5 451 02
Miscellaneous		1 140 39
		18 033 46
Fire protection:		
Contracted services		42 987 90
Protective inspection:		
Zoning inspector		2 340 00
Building inspector		8 586 35
Planning Commission		3 367 50
		14 293 85

TOWNSHIP OF ECKFORD
Calhoun County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended June 30, 2006

Highways and streets	<u>15 732 50</u>
Drains at large	<u>785 00</u>
Street lighting	<u>1 858 91</u>
Social security	<u>4 558 91</u>
Insurance	<u>3 000 00</u>
Capital outlay	<u>8 514 80</u>
Total Expenditures	<u><u>173 152 33</u></u>

TOWNSHIP OF ECKFORD
Calhoun County, Michigan

BALANCE SHEET – PERMANENT FUND
June 30, 2006

	Cemetery Perpetual Care
<u>Assets</u>	
Cash in bank	4 979 47
Total Assets	4 979 47
<u>Liabilities and Fund Balances</u>	
Liabilities	-
Fund balances:	
Reserved	4 979 47
Total Liabilities and Fund Balances	4 979 47

TOWNSHIP OF ECKFORD
Calhoun County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – PERMANENT FUND
Year ended June 30, 2006

	Cemetery Perpetual Care
Revenues:	
Charges for services	1 050 00
Interest	<u>75 45</u>
Total revenues	<u>1 125 45</u>
Expenditures – Cemetery	<u>-</u>
Excess of revenues over expenditures	1 125 45
Fund balance, July 1	<u>3 854 02</u>
Fund Balance, June 30	<u><u>4 979 47</u></u>

TOWNSHIP OF ECKFORD
Calhoun County, Michigan

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES – ALL AGENCY FUNDS
Year ended June 30, 2006

	Balance 7/1/05	Additions	Deductions	Balance 6/30/06
<u>CURRENT TAX COLLECTION FUND</u>				
<u>Assets</u>				
Cash in Bank	5 01	1 468 173 72	1 468 168 84	9 89
<u>Liabilities</u>				
Due to other funds	5 01	54 188 25	54 183 37	9 89
Due to others	-	1 413 985 47	1 413 985 47	-
Total Liabilities	5 01	1 468 173 72	1 468 168 84	9 89
<u>AGENCY FUND</u>				
<u>Assets</u>				
Cash in Bank	5 00	15 356 09	15 356 09	5 00
<u>Liabilities</u>				
Due to other funds	5 00	865 73	865 73	5 00
Due to others	-	14 490 36	14 490 36	-
Total Liabilities	5 00	15 356 09	15 356 09	5 00
<u>TOTALS – ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash in Bank	10 01	1 483 529 81	1 483 524 93	14 89
<u>Liabilities</u>				
Due to other funds	10 01	55 053 98	55 049 10	14 89
Due to others	-	1 428 475 83	1 428 475 83	-
Total Liabilities	10 01	1 483 529 81	1 482 524 93	14 89

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

September 7, 2006

To the Township Board
Township of Eckford
Calhoun County, Michigan

We have audited the financial statements of the Township of Eckford for the year ended June 30, 2006. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Eckford in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board
Township of Eckford
Calhoun County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated June 30, 2006.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,



CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants